

MEMORANDUM

OFF MAYOR
SAN FRANCISCO

To: MAYOR

Date March 3, 1975

From: Sue Scarpulla

Subject: S.F. Taxes and Individual's Ability to Pay.

*Municipal Taxation SF.
Taxation Prop. tax*

The traditional principles of municipal taxation have been altered significantly in core cities over the past decade. Local tax policy has shifted to an emphasis of protecting those who can least afford to pay. This shift is the result of two continuing public discussions:

1. Core cities are home for the unemployed and the needy.

As these residents have become more visible, chiefly due to federal government programs which focus on a wide variety of the social and physical needs, local government officials have paid more and more attention to the problems of this group and how they effect the dynamics of the city in general.

a. San Francisco's Needy and Unemployed:

23%* of the City's residents live on public assistance as of January 1975. Allowances have been made for duplications in this number.

(*This compares with 14% in 1970)

18% of the City's residents receive Social Security payments as of December, 1973. (This number is relatively stable due to the high number of elderly in San Francisco. Also, the bulk of these people do not have other sources of income.)

.5% of the City's residents have filed unemployment claims in January, 1975. (This figure reflects a 29% rise since 1972, but it only indicates filing for new claims, not the entire caseload in the City. These figures are not readily available. However, the general unemployment rate is 10.6% as of January, 1975.)

Conclusions: Taking into consideration the duplications which might exist as well as the residents who may have other sources of income, a conservative estimate would be that: MORE THAN ONE-THIRD OF THE RESIDENTS OF SAN FRANCISCO ARE LIVING AT OR BELOW SUBSISTENCE LEVEL!

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2. Core cities are forced to finance municipal operations and an inequitable property tax system.

The bulk of local government support are paid by the property tax. In San Francisco that tax splits almost evenly between commercial and residential property. The inequities of the property tax have become a principal topic for discussion in local governments.

(more)

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a. Property tax inequities:

Property taxes cannot discriminate. Commercial property is taxed by the same standard as residential property. Renters must absorb tax increases, while property owners receive the tax benefits. When property tax relief is issued, however, rents are not lowered, only the rate of rent increase is lowered.

When the individuals' ability to pay is examined in any property tax increase discussion, the lower income families and individuals are the primary focus of discussion -- not the commercial establishment!

b. San Francisco's Property Tax considerations:

In San Francisco, generally, there are twice as many renters as homeowners (1970 U. S. Census). When lower income is factored into these statistics, more than ten times as many low income residents rent as own property. (1970 U.S. Census). Their inability to absorb any more taxation is the primary issue in municipal taxation today in San Francisco!

As a consequence of property tax inequities, San Francisco has instituted over the years other forms of taxation: sales tax, employer's gross receipts or payroll tax, utility users tax, motor vehicle taxes and traffic fines, sewer service charges, business and hotel tax, a parking tax, and license fees. How much more can we take?

The primary focus on the individual's ability to pay in municipal taxation issues necessitates narrowing the discussion on a minority of the residents of the City: namely, this one-third of the City that lives at subsistence level, as well as the overburdened middle-income families who also absorb an inordinate amount of local taxation.

The individual's ability to pay is also affected by three other outstanding considerations in San Francisco:

1. Food Costs: In the Bay Area food costs have risen 29% between January 1974 and January 1975.

2. Cost of Living Index: This index rose 12½% in the Bay Area between December 1973 and December 1974.

3. Standard of Living: In the autumn of 1973 a family of four in San Francisco needed \$8,939 for a "lower standard of living" -- a figure 10.8% higher than during 1972. Based on the cost of living index, one can assume that the same family now needs at least \$10,000 to maintain a "lower standard of living".

Conclusion: ½ of S.F. Property is commercial but Public policy tends to be made on the low-middle income of residential property - This is justified because of the problems. (more)



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Conclusion: Even though half of the property in San Francisco is commercial, public tax policy is made on the basis of a portion of the residential property -- namely, low income people and middle income families! However, in light of all the problems of these groups such public tax policy is not only justifiable but desirable as well!

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